

EXHIBIT 1

CalHFA Staff Report dated December 20, 2002



BOARD OF DIRECTORS

Thursday, January 9, 2003

The Westin
San Francisco Airport
Millbrae, California
(650) 692-3500

9:30 a.m.

1. Roll Call.
2. Approval of the minutes of the November 14, 2002 Board of Directors meeting.
3. Chairman/Executive Director comments.
4. Discussion, recommendation and possible action relative to final loan commitments for the following projects: (Linn Warren)

<u>NUMBER</u>	<u>DEVELOPMENT</u>	<u>LOCALITY</u>	<u>UNITS</u>	
02-045-N	Kennedy Meadows	Jackson/Amador	56	
Resolution 03-01			101
02-041-N	Noble Towers	Oakland/Alameda	195	
Resolution 03-02			119
5.	Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family housing bonds, and related financial agreements and contracts of services. (Ken Carlson)			
	Resolution 03-05			143
6.	Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, and related financial agreements and contracts of services. (Ken Carlson)			
	Resolution 03-06			157

7. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond volume cap allocation for the Agency's homeownership and multifamily programs. (Ken Carlson)
Resolution 03-07.....171
8. Discussion, recommendation and possible action relative to the adoption of a resolution approving investment in unrated mortgage-backed bonds issued by other entities. (Ken Carlson)
Resolution 03-08.....179
9. Discussion of the 2002-03 Business Plan Update. (Ken Carlson; Jerry Smart/Ken Williams; Nancy Abreu; Linn Warren; Margaret Alvarez; Jackie Riley)
10. Discussion, recommendation and possible action relative to the approval of a resolution authorizing certain contracting by the Agency. (Tom Hughes)
Resolution 03-09.....183
11. Discussion, recommendation and possible action relative to the approval of a resolution approving amendments to regulations relating to mortgage insurance. (Tom Hughes)
Resolution 03-10.....189
12. Discussion of other Board matters/Reports.
13. Public testimony: Discussion only of other matters to be brought to the Board's attention.

****NOTES****

HOTEL PARKING: Parking is available as follows:
1) overnight self-parking for hotel guests is \$14.00 per night; and 2) rates for guests not staying at the hotel is \$1.00 per hour.

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be March 20, 2003, at the Holiday Inn Capitol Plaza, Sacramento, California.

MEMORANDUM**To: Board of Directors****Date: 12-20-02****From: Tom Hughes, General Counsel
CALIFORNIA HOUSING FINANCE AGENCY****Subject: Proposed Resolution 03-10 (Mortgage Insurance Regulations)**

During 2002, the Agency has undertaken a complete review of its mortgage insurance programs and the infrastructure of the Mortgage Insurance Services division. One of the components of that review has involved looking closely at the statutory framework within which the mortgage insurance program operates, as well as the regulations that have been adopted by the Agency over the years. The Agency may ultimately recommend that statutory changes be sought that would address a variety of legal and programmatic issues, as well as provide a basis for the amendment or repeal of certain regulations which currently implement some of those statutes. At this time, however, the Agency has identified two regulations that need to be updated to reflect current business models of the program. The amendment of these two regulations does not require statutory changes. The approval of the Board of Directors, however, is required to institute the process to amend these rules.

Health & Safety Code §51654 permits the Agency to insure both single family and multi-family loans. The first regulation at issue, Title 25 California Code of Regulations §19200, implements this statute by further defining the type of loans that the Agency will insure. The current, outdated version of the regulation differentiates between loans made by the Agency, and loans made by third parties. The proposed revision would eliminate that distinction, and would reflect the current business practice of insuring loans made by both the Agency, as well as third party lenders.

The second regulation, Title 25 California Code of regulations §19205, would update the loan to value limitations on insured loans. Health & Safety Code §51652 permits the Agency to set the loan to value limits on insured loans. By regulation, that limitation has been set at 97% of value. That limit is outdated. By contrast, under AB 1486, passed in 2002, private mortgage insurance companies will be able to insure loans with loan to value ratios up to 103%. The proposed regulation would permit the Agency to insure loans of up to 107% of value. The higher ratio permits more innovative mortgage insurance products, such as combinations of first and second loans that will lend amounts over 100% to fund up front mortgage insurance premiums and buy downs of interest rate.

Title 25, Division 2, Chapter 10, Article 2, § 19200 of the California Code of Regulations shall be amended to read as follows:

§19200. Loans Eligible for Insurance.

The California Housing Finance Agency ("Agency") may insure the following types of loans:

(a) Loans ~~made by the Agency~~ to finance the construction, acquisition, rehabilitation or improvements to single family residential structures.

(b) Loans ~~made by the Agency~~ to finance the construction, acquisition, rehabilitation or improvements to rental housing developments.

~~(c) Non Agency financed loans to finance the construction, acquisition, rehabilitation or improvements to rental housing developments where at least 10 percent of the dwelling units are made available to lower income households as provided in Section 51226(b) of the Code.~~

NOTE: Authority cited: Section 51050(e), Health and Safety Code.

Reference: Section 51654, Health and Safety Code.

PROPOSED AMENDMENT TEXT

Title 25, Division 2, Chapter 10, Article 2, § 19205 of the California Code of Regulations shall be amended to read as follows:

§19205. Loan Terms--Maximum Length and Loan to Value Ratio.

The Agency will not insure loans which have a longer term or higher loan to value ratio than set forth below. The maximum loan term is in all cases to be no greater than 4/5 of the economic life of a structure even if that period is less than the maximum set forth herein. In cases where the structure is older than five years, the Agency will require an appraisal to establish the economic life of the structure.

	Maximum Loan Term	Maximum Loan to Value Ratio
Loans for single family residential structures (other than property improvement loans not involving an acquisition or refinance of an existing loan).	32 years	97% <u>107%</u> *
Property improvement loans for single family residential structures not involving an acquisition or refinance of an existing loan.	15 years	90% *
Loans for multifamily rental housing developments.	40 years	90% *

* Total of all loans on property including property improvement and rehabilitation loans.

NOTE: Authority cited: Section 51050(e), Health and Safety Code.

Reference: Section 51652, Health and Safety Code.

**THIS PAGE
INTENTIONALLY
LEFT BLANK**

RESOLUTION APPROVING PROPOSED AMENDMENT TO REGULATIONS
CONCERNING LOANS ELIGIBLE FOR MORTGAGE INSURANCE

WHEREAS, the California Housing Finance Agency (the "Agency") through its Board of Directors (the "Board") is authorized to adopt and, where appropriate, to amend or repeal regulations; and

WHEREAS, the Board has determined that the proposed amendments to the Agency regulations attached hereto are necessary and appropriate for adoption by the Agency,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The attached amendments to the Agency's regulations, incorporated herein by reference, concerning loans eligible for mortgage insurance, are hereby approved.

2. The staff is directed to give public notice, conduct any required public hearing and take such other action as may be necessary or proper for the adoption by the Agency of such amended regulations. The staff is authorized to make non-material revisions to these amendments, without further Board approval, as may be appropriate in the course of promulgating these amendments.

I hereby certify that this is a true and correct copy of Resolution 03-09 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 9, 2003, at Millbrae, California.

ATTEST: _____
Secretary

